

NEW STRATEGY TO DELIVER GROWTH

MESSAGE FROM THE CHAIRMAN

Michael Pram Rasmussen




As announced in September, we have taken a clear decision on a new strategy for A.P. Moller - Maersk, which involves separating our transport and logistics and our oil and oil-related businesses into two divisions.

The world in which A.P. Moller - Maersk operates has undergone fundamental changes in recent years. During 2016 we have faced historically low freight rates and dramatic declines in oil prices, coupled with changes in energy use, a slowdown in global trade and increased digitisation.

Despite investing heavily in our industries, taking out cost and optimising our businesses to the point where most are performing in the top quartile of their industries, we have not been able to grow our revenue over the last 10 years.

These challenges demand that we renew our business and find new sources of revenue growth, otherwise we will be forever destined to rely on cost-cutting and efficiency gains.

Our new strategy will answer to those challenges. A.P. Moller - Maersk has consistently evolved over the last 100 years, and it is our ambition that we grow and thrive over the next 100 years. The new strategy will ensure longevity and growth and maximise shareholder value in the long-term.

Unlocking value in A.P. Moller - Maersk

Rather than be a diversified conglomerate, we refocus capital and management attention on creating an integrated Transport & Logistics business where we have a clear competitive advantage, which will lead to higher growth and returns.

Market trends are changing, providing us with opportunities. Non-traditional competitors, disruptive technology, advanced supply chain solutions, digitisation and e-commerce have all spurred a need for innovative thinking and a new approach.

Today's customers require more advanced supply chain solutions. As an integrated Transport & Logistics business we can better meet their needs for comprehensive, end-to-end services. We can increase our use of data and expand and strengthen our digital platforms.

Our leading global position and network within container transport, port operations, supply chain management and freight forwarding provides us with an unparalleled advantage in this industry. Our offering across the value chain and the potential to capitalise on synergies in these businesses is unique.

New solutions for oil businesses

Our oil and oil-related businesses are operating in volatile business environments with risk of structural declines post-2020. The Board of Directors expects that these businesses will require different solutions for future development including separation of entities individually or in combination from A.P. Moller - Maersk in the form of joint-ventures, mergers or listings. The objective is to find sustainable structural solutions before the end of 2018.

With the objective of maximising shareholder value, the Energy division will manage the oil and oil-related businesses with an active owner mindset including strategy and capital allocation, structural solutions and M&A, performance management, and organisation and human capital development.

Our businesses are all well positioned in their respective industries, with industry-leading operational and financial performance. The strong relative positions make our businesses attractive partners, enabling us to develop structural solutions from positions of strength.

Despite difficult market conditions, there is growth and value creation to be captured. Global energy demand is expected to grow 1-2% per year for the next three decades. Our businesses are all performing strongly within their industries, and our people, assets and unique capabilities position us well to compete in the future energy space. Not least in the North Sea – an area that provides Maersk Oil with growth opportunities that are low-capex in nature, also allowing Maersk Oil to leverage its skills around operating mature assets.

Creating shareholder value

We are committed to retaining our investment grade rating which we will ensure by reducing capital expenditures and through actively managing our portfolio of assets.

This year we have announced a dividend per share of DKK 150. Our dividend policy remains unchanged and our objective is to increase the nominal dividend per share over time, supported by underlying earnings growth.

Financial reporting for the new structure will be effectuated from the financial year 2017, meaning that the first financial reporting based on the new structure is Q1 2017.

Welcoming our new leadership

In the last 10 years, A.P. Moller - Maersk has successfully gone through a period of operational optimisation. We have built a lean and transparent conglomerate, expanded our global presence and strengthened our customer focus. The transformation of our businesses has provided us the powerful platform we have today, which will ensure our future success.

For this we have to give credit to our previous Executive Board led by Nils S. Andersen. Under Nils S. Andersen's strong leadership our businesses have become leaders in their fields. My appreciation is also extended to Trond Westlie and Jakob Thomasen who saw this as the right time to follow a new path. Kim Fejfer has also left the company to take up a new role related to A.P. Møller Holding A/S. We thank them all for their hard work and commitment.

Our new Group CEO Søren Skou is the right person to take the company forward. He knows the transport and logistics industries inside out and has implemented major improvements in Maersk Line. We have assembled a strong Management Board, also including Claus V. Hemmingsen as Group Vice CEO, responsible for the Energy division, and Jakob Stausholm as Group CFO and Chief Finance, Strategy and Transformation Officer in the Transport & Logistics division. I would like to welcome the new team. I have every confidence that they are the most qualified people to shape the future of the business.

I would like to also take this opportunity to thank all our employees for their extraordinary dedication and loyalty throughout this period of change. We look forward to an exciting and prosperous future.